



MEETING DATE: 9/5/06


ITEM NO.

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## COUNCIL AGENDA REPORT

DATE: August 22, 2006

TO: MAYOR AND TOWN COUNCIL

FROM: DEBRA J. FIGONE, TOWN MANAGER 

SUBJECT: ADOPT A RESOLUTION SETTING THE SALES PRICES FOR BELOW  
MARKET PRICE HOUSING PROGRAM UNITS LOCATED AT 576 WEST  
PARR AVENUE

### RECOMMENDATION:

Adopt a resolution setting the sales prices for Below Market Price Housing Program units located at 576 West Parr Avenue.


### BACKGROUND:

The Town's Below Market Price Housing Program (BMP Program) allows low and moderate income households the opportunity to become homeowners. It has a limited number of homes, typically condominiums or townhomes, which are sold at a price below the current market value. In return for the ability to purchase a home at a below-market price, participating homebuyers agree to restrict the price at which they may resell the unit in the future. In order to be eligible to purchase a unit, a buyer must meet federal income guidelines.

BMP units are built by private developers, in accordance with the Town's Inclusionary Zoning Ordinance (Town Code sections 29.10.3000 through 29.10.3040). Developers of multifamily projects with five or more units must designate a specified number of those units as BMP units, which are then sold through the Town's BMP Program.

### DISCUSSION:

The Villa Capri development, located at 576 West Parr Avenue, was originally approved in 1983 under Ordinance No. 1564 (later amended under Ordinances No. 1632 and 1638). The Town's

PREPARED BY: Regina A. Falkner, Community Services Director 

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Reviewed by: PS Assistant Town Manager OK Town Attorney  
Clerk Administrator SC Finance Community Development

Revised: 8/22/06 11:01 am

Reformatted: 5/30/02

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approval of the development required that four of the 35 total units be BMP units, and that the entire development, including the BMP units, be restricted to occupancy by senior citizens (age 60 or older). The BMP units were later identified as units 23, 33, 34, and 35. All four units are one-bedroom, one-bathroom units.

After its construction, Villa Capri was operated for several years as a residential care facility; this use was later discontinued and the units were prepared for sale as condominiums. At the time, the Town's BMP Program Guidelines required that the Town and the developer come to agreement on the initial sales prices for BMP units. The Town participated in lengthy negotiations with the developer of the Villa Capri units, Capri Associates, but the two parties failed to reach agreement. Finally, the Town received information that the BMP units were to be placed on the market, presumably at market price. In order to maintain these units as part of the Town's valued affordable housing stock, the Town initiated legal action against Capri Associates, resulting in Capri Associates selling the units to the Town at less than their market value. Escrow closed August 15, 2006. It is the Town's intention to sell the units to qualified buyers, according to the current BMP Program Guidelines.

### ***Proposed Sales Prices***

As the Villa Capri BMP units have never been sold through the BMP Program, sales prices have never been set for the units. The purpose of this report is for Council to set initial sales prices for all four units. Staff recommends that the initial sales prices for these units should be the same as those dictated by the current BMP Program Guidelines for new units, as follows:

- ▶ 2 units at \$233, 975 (affordable to households between 80% and 100% of median)
- ▶ 2 units at \$168, 963 (affordable to households between 50% and 80% of median)

The Town's purchase price was \$250,000 per unit. However, staff believes that it would be appropriate to set the sales prices with reference to the current Council-adopted BMP Guidelines, which consider what would be affordable to income-eligible households. The price that the Town paid for each unit, though clearly below the market price, is still above what is considered affordable under the BMP Guidelines.

The BMP Guidelines state that 50% of units should be priced to be affordable to households between 80% and 100% of the Area Median Income, and 50% of units should be priced to be affordable to households between 50% and 80% of the Area Median Income. The Area Median Income limits are set by the U.S. Department of Housing and Urban Development (HUD). Any household that qualifies under the terms of the BMP Program may purchase the units; the Guidelines language just refers to setting the sales price. As shown in the table above, 2 of the units are recommended to be priced to households between 80% and 100% of the median, and 2 of the units are recommended to be priced to households between 50% and 80% of the median. For Council's reference, below is a

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summary of the current HUD-adopted income guidelines, by household size:

Persons in Household	Annual Income Limit		
	50% of Median	80% of Median	100% of Median
1	\$37,150	\$59,400	\$74,300
2	\$42,450	\$67,900	\$84,900

CONCLUSION:

Staff recommends that Council adopt a resolution (Attachment 1) setting the sales prices for 576 West Parr Avenue, units 23, 33, 34, and 35, in accordance with the current Below Market Price Housing Program Guidelines.

ENVIRONMENTAL ASSESSMENT:

The recommended action is not a project defined under CEQA, and no further action is required.

FISCAL IMPACT:

The Town's BMP In-Lieu Fee fund was used to purchase the units; this fund will be reimbursed when the units are sold. The BMP In-Lieu Fee fund receives revenue from developers that are required to pay a fee in lieu of providing BMP units. If the units are sold at the recommended prices, the BMP In-Lieu Fee fund will subsidize a total of \$194,124, as follows:

Town Purchase Cost	Total of Sales Prices	BMP In-Lieu Subsidy
\$1,000,000	\$805,876	\$194,124

The purpose of the BMP In-Lieu Fee fund is to provide for affordable housing in Los Gatos. Therefore, staff believes that this recommended subsidy would be an appropriate use of BMP In-Lieu Fee monies. The FY 2006/07 beginning balance in this fund is \$1,418,144.55. Once the sales transactions were completed, the cost to the Town would be \$194,124.

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Attachments:

1. Draft Resolution of the Town Council of the Town of Los Gatos Setting the Sales Prices for Below Market Price Housing Program units located at 576 West Parr Avenue

Distribution:

Diana Moreno, Housing Authority of the County of Santa Clara

**RESOLUTION 2006-\_\_**

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS  
SETTING THE SALES PRICES  
FOR BELOW MARKET PRICE HOUSING PROGRAM UNITS  
LOCATED AT 576 WEST PARR AVENUE**

**WHEREAS**, the Town of Los Gatos Zoning Ordinance Sections 29.10.3000 through 29.10.3040 establish a Below Market Price (BMP) Housing Program to assist low and moderate income Los Gatos citizens to purchase homes; and

**WHEREAS**, the BMP Program requires construction of dwellings that persons and families of low and moderate income can afford to buy, and assures to the extent possible that the resale prices of those dwellings will be within the means of persons and families of low and moderate income; and

**WHEREAS**, the Town wishes to ensure that all BMP units remain in the BMP Program, and retain their affordability to persons and families of low and moderate income.

**NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DOES HEREBY RESOLVE:**

That the initial sales prices for the four (4) BMP units located at 576 West Parr Avenue, Los Gatos, Units 23, 33, 34, and 35, are set as follows: two (2) units shall be sold at \$233,975, and two (2) units shall be sold at \$168,963.

**PASSED AND ADOPTED** at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the \_\_\_\_ day of September, 2006, by the following vote.

**COUNCIL MEMBERS:**

AYES:  
NAYS:  
ABSENT:  
ABSTAIN:

SIGNED:

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MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

ATTEST:

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CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA